TOPIC: Why Some Businesses Fail to Grow

There is more than one way for companies to fail. They can stay in business but fail to reach their potential, or fail to get beyond mediocrity, or just fail to grow. Failing to grow is not necessarily a problem so I am no advocate of growth at any cost. But there is an uncomfortable place between a mid-size company and a very small company, where the owner is doing a lot of the work and still not making much of a living.

There are many reasons some small companies grow and others hit a wall. There are external factors like market size, competition and demand. But there are also internal factors that have to do with sales strategy, marketing, operations and leadership. In every industry, there are companies that grow and dominate, while others stagnate or shrink and ultimately fail.

Here are what I believe to be the 10 factors that separate the two:

1. Complacency. An important aspect of corporate culture is how driven the company is. A small company is usually a reflection of the owner's needs, desires and personality. Some owners want to take over the world, and some are just happy making a living. There's nothing wrong with that - unless you work there and want to grow with the company. Lack of urgency is a major issue when growing a business.

2. The Right People. You cannot build a company without the right people. This requires a great hiring process, training, proactive management and the strength to make the changes that become necessary as the company grows. This is easier said than done - especially when it turns out that people who were "right" at the beginning are no longer "right" in their roles as the company grows. The ability to manage these issues might be something of a gift, although it's also nice to have some luck. But it mostly takes dedication to the process and the right expertise.

3. Lack of Processes and Controls. This covers a lot of territory, including sales, quality control, service and problem resolution. Whether a company enjoys a 97 percent customer satisfaction rate or a 93 percent rate will have a significant impact on the size of a company over the long run. It's not enough to have well defined processes without implementing the control systems that assure those processes are effective. Without the controls, you will have good intentions accompanied by bad results.

4. Customer Centric. I can think of few things that are more destructive than employees who regularly dismiss difficult customers and conclude that there is no way to make them happy. The problem is that most dissatisfied customers have many friends, and word of mouth travels fast these days.

5. Technology. It can be both a blessing and a curse for small businesses. New technologies can do many wonderful things, but can also be overwhelming and expensive. Occasionally, they can be nightmares. This might be one of the biggest differences between running a large company and a small one. Amassing the financial, technical and staff resources necessary to solve a technology problem can be very difficult for a small company. But there's not much choice; the market does not stand still.

6. Marketing. This includes everything from branding to advertising to lead generation to market analysis. How a company executes may be the major driver of its success, but how it is perceived is also

crucial - perception, as they say, is reality. The other reality is that small companies can have a difficult time finding resources to help them with this critical part of their business. That means that the success or failure of a small company's marketing frequently comes down to the abilities of the entrepreneur. Few people are good at everything.

7. Stale Products or Services. Whether you are talking about products or customers, the market is always changing, and your products and services have to change with it. If you are lucky, the changes are slow and subtle; sometimes, they are dramatic affecting sales, gross margins, profits and the value of your business.

8. Lack of Investment. Whether it is for more inventory, new technology, a bigger facility, more employees or more equipment, growing companies suck up more cash than non-growing companies. Getting this cash may require borrowing money, finding more investors or using up whatever cash is on hand. Some entrepreneurs tire of the demands and decide to slow down the investments - and that slows growth.

9. Stubbornness. It is stubbornness that helped the entrepreneur get the business off the ground, get through the learning curve, survive the recession and cope with every problem along the way. At some point, though, dogmatic adherence to what you know can limit a company's ability to adapt to change and get to the next level. Strategies and processes that might have worked when you had 20 employees can be a detriment when you have 50. For example, when you start to hire higher-priced managers who have different skills and expectations than a $12-an-hour employee.

10. Leadership. This includes vision, courage, fortitude, attitude and of course the ever-important corporate culture - all of which should create an inspired staff. And of course there's the over-used word that is sometimes called the secret to it all, passion. Here is the real secret: passion is critical, but it can't make up for deficiencies in other aspects of the business. I have seen many people fail in business, and they were all passionate, but it is not enough to make for a successful and growing business.

At DMA Consulting Ltd., we have the expertise to help your company focus on the important issues to grow your company to the next level.

Contact Lucky Idehenre, PGD, MBA, ED of DMA Consulting Ltd. today to discuss your growth needs at (08038648008), by email at luckyid@dmaconsulting-nigeria.com or visit www.dmckinseyandassociate.com for more information.

EXISTING COMPANIES NEED PLANNING TOO

CRITICAL SKILLS FOR THE CEO/OWNER

The Wharton Business School newsletter, published by The Wharton School, University of Pennsylvania did a recent poll of executives and business owners. The results below show the four most important skills that would strengthen a CEO's performance.

Strengthening what skill would most improve your performance?

1. Leadership - 33%
2. Time Management - 28%
3. Negotiating - 22%
4. Understanding Your Financials - 17%

1. Leadership

Leadership and execution is the key to success and achieving your goals. Leadership requires planning, organization, being proactive, having a crystal clear understanding of the business both financially (quantitatively) and operationally (qualitatively), hiring and managing people of multiple generations and cultures, and creating a culture of accountability to grow your business to the next level.

2. Time Management

Time management is the Achilles heel of most CEOs and small business owners. Not just managing time on a calendar and working 60 hours a week to keep up, but real strategy and planning to focus and structure your time to impact your business in a disciplined manner. CEO Advisor, Inc. works with its CEOs and small business owner clients to set goals and priorities, and truly excel in both leadership and time management.

3. Negotiating to Success

Negotiating is the Holy Grail in business - with customers, prospects, vendors, employees, etc. We focus deeply on negotiations using some of the top techniques used by military leaders and business people. Your sales team can benefit tremendously from sales training and negotiating skills training from securing the initial meeting to negotiating price effectively to closing large deals. Strengthening your negotiating skills can yield a 100X return on your investment. If you are not a master negotiator and salesperson, invest in your negotiating skills and prosper in 2014 and beyond.

4. Understanding Your Financials

If there is one New Year's resolution that every CEO and small business owner should commit to is gaining a thorough understanding of the financials of your business. If you don't, you are flying blind! This includes your Profit & Loss Statement (Accrual and Cash basis), Balance Sheet, Financial Ratios, creating a 2014 Financial Forecast, and learning to analyze and understand how to positively impact your Gross Margins and Net Profit, as well as, pinpointing early signs of problems. CEO Advisor Inc. spends the time to ensure every client not only understands but uses their company's financials in growing their business to the next level.

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Benefits of Planning

Guide Your Growth:

Your business will grow or not depending on many factors, including overall economic trends, location, size of the industry, growth of the industry, specific market needs, hard work and other elements. Businesses that plan do it to guide and accelerate their growth so they move proactively towards defined objectives rather than just reacting to business events.

Manage Priorities:

Strategy involves focus. Allocate resources where they will generate the most profit. Work towards your strengths and away from your weaknesses. Develop the company by doing the most important things according to your long-term objectives and plan.

Assign Responsibilities:

A plan gives you a place to develop organizational responsibilities. Accountability drives businesses forward. Track Progress: With a written plan, you can track your progress towards goals, measure results, and better manage the business. Without a plan, how do you tell whether or not you are moving in the right direction or measure success?

Manage Your Cash Needs:

Most businesses don't plan well for their cash, yet this is critical to all companies. Financial forecasting is strategic and is at the core of every business.

Business Planning is Critical to All Sizes of Companies

1. Strategy:

Strategy involves taking a hard look at your products and services, your core competencies, your target markets, geographic sales coverage, your customers, pricing, operations, sales and marketing. Bring in the needed expertise to ensure your strategy yields success.

2. Specific Responsibilities, Goals, Tasks, Deadlines and Budgets: We call these milestones. These key aspects of business planning are critical to business success.

3. Financial Forecast: One of the most important aspects of strategic planning is the financial forecast. A business needs to set financial goals and targets to truly measure its success and drive the business forward. At DMA Consulting Ltd., we have the expertise to help your company focus on the important issues to grow your company to the next level.

Words of Wisdom

"A smart man makes a mistake, learns from it, and never makes that mistake again. But a wise man finds a smart man and learns from him how to avoid the mistake altogether."

Roy H. Williams

Author


Success
Failure